

# Flow of earnings results to peak

**Observers seek signs of lasting momentum; gov't can aid recovery**

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A horde of companies are releasing their April-September earnings results this week. They include Toyota Motor Corp., Mitsui & Co. and electronic component manufacturers — in other words, types of businesses whose performance tends to impact other firms in various sectors.

The announcements are set to peak on Nov. 6, when about 350 listed companies, including Kirin Holdings Co., are scheduled to unveil their six-month figures.

Although capital investment has been dampened, production has been continuously recovering recently. There will likely be a number of upgrades to fiscal 2009 forecasts this week, as in previous

weeks. Companies that were able to cut costs via steps like abandoning or shrinking unprofitable operations are most likely to be the bearers of bright news.

The overall economic recovery in Japan has not been as fast as in other Asian nations, but it has been speedier than in Western countries. Now attention will be on whether corporate earnings are likely to keep improving and to retain that momentum long-term.

Even companies that were able to lift their earnings during the six-month period cannot afford to ease up. The crucial test for them is whether

they can ride onto a path of full-fledged growth.

## **Work to do**

What we should look at, therefore, is companies' future strategies for expansion through measures such as new business planning from a long-term point of view, innovative research and development or developing businesses for emerging markets.

When the economy is under-



**Company representatives rush to hand out earnings results to the media.**

going a major shift, companies should venture into new markets, and the government should free up the economy and refrain from imposing excessive regulations so that their entrepreneurial "animal spirits" can flourish.

At the same time, government should build a robust and comprehensive safety net for individuals through tax system reform, extension of unemployment insurance benefits, as well as strengthening vocational training. It helps

them to cope with risks, including job losses caused by free-market operations.

In his policy speech to the Diet, Prime Minister Yukio Hatoyama talked about putting the economy on a recovery track led by private demand. That is only possible if his government establishes a basic philosophy on economic policy management along the above mentioned lines — free competition for firms and a safety net for individuals.